

# **APPENDIX A – 13**

## **Financial Plan**

If the RTP is to be a sound, long-term investing strategy for the region, one of the first questions that must be answered is, how much money will we have to invest? The amount of funding projected to be available determines how much we can invest to maintain, operate and improve the region’s transportation system over the 25-year plan period. When we do the math, it becomes clear that, despite the large sums that will be generated from existing funding pots, new revenue sources will be needed to maintain our current services and expand transportation facilities to serve future growth in Bay Area population and employment.

What Are the RTP Financial Assumptions?

In 1991, the Intermodal Surface Transportation Efficiency Act (ISTEA) instituted a requirement that long-range transportation plans be financially constrained. Successor legislation, the Transportation Efficiency Act for the 21st Century (TEA 21), passed in 1998, reaffirmed this federal planning mandate.

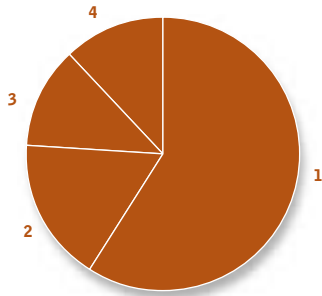
This RTP and the past two RTPs have defined financially constrained as meaning those federal, state and local revenues that are currently available, projected out 25 years; no new revenue sources are assumed to be available. Financial assumptions for these revenues are as follows.

- Federal and state transportation formula revenues, primarily per-gallon fuel tax revenues, are assumed to grow at a rate of 2 percent annually, based on Caltrans’ long-term travel and fuel forecast.
- The Bay Area is projected to receive its historic share of federal and state discretionary funding, which also grows 2 percent annually.

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## FINANCIAL FOUNDATIONS AND INVESTMENT STRATEGY

### Projected 25-Year Revenues



	Billions of Dollars	Percent of Total
1 Local	\$51.4	59%
2 Regional	14.5	17%
3 State	10.9	12%
4 Federal	10.6	12%
<b>TOTAL</b>	<b>\$87.4</b>	<b>100%</b>

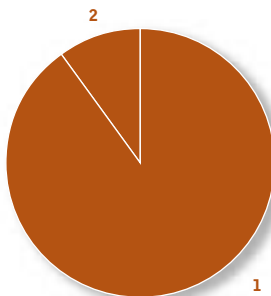
- Local toll revenues are based on projected travel demand on each of the region's toll bridges.
- County transportation sales tax revenues are based on the Center for Continuing Studies on the California Economy's 20-year taxable sales projections.
- County transportation sales tax measures that sunset during the 25-year RTP period (Contra Costa, San Mateo and San Francisco counties) are assumed not to be renewed; no new transportation sales taxes are assumed for those counties where they presently do not exist (Marin, Napa, Solano and Sonoma counties).
- Transit fares are expected to keep pace with inflation and to increase with projected ridership gains.

### How Do the 2001 RTP Financial Projections Differ From Previous RTPs?

In the past three RTPs (1994, 1996 and 1998), MTC projected revenues and project costs in year-of-expenditure dollars. This method of "inflating" revenues was used to show how much a project would cost in the future. In a departure from this practice, the 2001 RTP update uses current dollars (i.e., how much a project or program would cost if built today). This approach is consistent with most of our partner agency plans and programs. The 2001 RTP update also differs from past RTPs in that it covers a 25-year period; past plans had a 20-year duration.

Total 2001 RTP projected revenues are \$87 billion in 2001 dollars; this compares to a 1998 RTP total projected revenue estimate of \$90 billion in inflated dollars. (The \$90 billion in inflated dollars is actually worth about \$65 billion in 2001 dollars.) Most of the incremental 2001 RTP revenue comes from the additional five years covered by the plan, the inclusion of \$6 billion in fresh revenues owing to the passage in November 2000 of Alameda County and Santa Clara County sales tax measures, and passage of AB 1171 (Dutra), which extends the \$1 seismic bridge toll through the RTP period.

### Committed Funding vs. Track 1



	Billions of Dollars	Percent of Total
1 Committed Funding	\$78.8	90%
2 Track 1	8.6	10%
<b>TOTAL</b>	<b>\$87.4</b>	<b>100%</b>

### What Are the Major Sources of Transportation Funds?

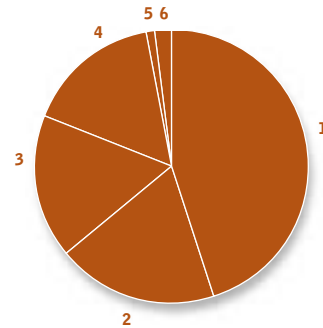
The \$87 billion in projected revenues represents the financially constrained budget for the 2001 RTP. As shown in the pie chart to the upper left, "Projected Revenues," the bulk of these funds are from local sources, primarily transit fares, property taxes, dedicated sales tax programs, and state gas tax subventions to local jurisdictions. Making up a smaller piece of the pie are state and federal revenues, mainly derived from gas taxes, and regional revenues, mostly from bridge tolls and BART sales tax revenues.

The 2001 RTP revenue estimate can be broken into two main funding categories: a) “committed” revenues to ongoing projects and programs, and b) uncommitted, discretionary funding available to undertake new projects and programs. This discretionary slice of the funding pie is referred to by MTC as “Track 1”.

## Committed Revenues

Most of the \$87 billion in projected RTP revenue — about 90 percent — is already committed by law, voter mandates or recent MTC programming actions. Most of this “committed funding” — amounting to nearly \$79 billion out of the total \$87 billion in estimated revenues — will go toward protecting the region’s existing transportation infrastructure (see chart on previous page, lower left). The \$79 billion is comprised of two main spending categories: a) the cost of ongoing operation, management, maintenance and rehabilitation of the region’s transportation infrastructure already in place, and b) projects with existing funding commitments, including MTC’s Transportation Improvement Program (TIP) and fully funded sales tax projects. As shown in the pie chart titled “Committed Funds Spending Breakdown” to the right, over 80 percent of the committed revenue is used to maintain and expand Bay Area transit systems; another 16 percent is used to maintain local roads, and about 1 percent is available to expand Bay Area highways.

**Committed Funds Spending Breakdown**



	Billions of Dollars	Percent of Total
<b>1</b> Transit Operations	\$35.4*	45%
<b>2</b> Transit Rehabilitation	14.8	19%
<b>3</b> Transit Expansion	13.4	17%
<b>4</b> Roadway Maintenance and Operations	12.5	16%
<b>5</b> Roadway Expansion	1.1	1%
<b>6</b> Other**	1.6	2%
<b>TOTAL</b>	<b>\$78.8</b>	<b>100%</b>

\* 36% fare revenues/64% subsidy

\*\* Other includes bike and pedestrian improvements, TLC/HIP, system management, etc.

## Uncommitted (Track 1) Revenues

The funds remaining after accounting for the \$79 billion in committed funding consist primarily of federal discretionary and flexible funds, certain state funds allocated through the State Transportation Improvement Program (STIP), and regional toll funds for transit expansion projects. These revenues — amounting to \$8.6 billion — are the “Track 1” funds. Prioritizing these funds for worthy projects and programs is the bottom-line task of this RTP.

## How Should Future Track 1 Funds Be Divided?

The Track 1 spending recommendations reflected in this RTP fall into three separate categories, correlated with the entities that had primary responsibility for developing the recommendations. (See table on next page.)

- Regional programs: \$3.9 billion (MTC)
- County priorities: \$3.4 billion (congestion management agencies - CMAs)
- Joint regional/county projects: \$1.3 billion (Caltrans/MTC/CMAs)

## FINANCIAL FOUNDATIONS AND INVESTMENT STRATEGY

### Total Track 1 Funds: \$8.6 Billion

2001 dollars

Regional Programs (MTC) \$3.9 Billion	County Priorities (Congestion Management Agencies - CMAs) \$3.4 Billion	Joint Regional/County Selection (Caltrans, MTC and CMAs) \$1.3 Billion
<ul style="list-style-type: none"> <li>• System Management and Operations</li> <li>• Streets and Roads Maintenance</li> <li>• Transit Capital Rehabilitation</li> <li>• Transportation for Livable Communities (TLC)/Housing Incentive Program (HIP)</li> <li>• Regional Transit Expansion Program</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance</li> <li>• Operation</li> <li>• Expansion</li> <li>• TLC/HIP (county share)</li> <li>• Bike/Pedestrian</li> </ul>	<ul style="list-style-type: none"> <li>• Interregional Transportation Improvement Program (ITIP)</li> </ul>

### Regional Programs

The RTP proposes to assign almost half — \$3.9 billion — of the \$8.6 billion in Track 1 discretionary funding “off-the-top” to important regional programs and projects. The Regional Transit Expansion Program also leverages county and joint regional/county Track 1 funds totaling about \$800 million; including this funding brings the total regional program to almost 60 percent of available Track 1 funding. More than 80 percent of this MTC-directed funding will be used to maintain and expand Bay Area transit systems. The remaining funds will go toward fixing and managing local roads, and to programs that support community vitality and nonmotorized travel.

#### Contributing to Systems Management and Operations

MTC is actively involved with other Bay Area transportation agencies in seeking ways to operate and manage the existing transportation network more efficiently. Managing traffic, improving transit and roadway operations, quick response to freeway incidents and providing travel information are services that are highly valued by the public, according to MTC surveys and polls. Specific examples of desired customer service programs include: TransLink®, which will establish a universal transit fare card; TravInfo®, the regional telephone service for traffic and transit information; and the roadside motorist-aid call box and tow truck systems. All these programs help to improve travel conditions without requiring large capital expenditures.

#### Maintaining Streets and Roads

One of the RTP’s core commitments is to maintain a defined network of regionally important state highways and local roads known as the Metropolitan Transportation System, or MTS. To fully fund estimated MTS pavement maintenance needs in this

RTP, MTC will add \$130 million in Track 1 funding to the \$300 million in local funds already committed to this purpose. State highway maintenance is assumed to be fully funded with nearly \$4 billion from the State Highway Operations and Protection Program (SHOPP).

The seismic retrofit program for the state-owned toll bridges is assumed to be fully funded with almost \$2 billion in seismic surcharge tolls, and state and federal highway funds. The Golden Gate Bridge seismic program also is assumed to be fully funded, with \$300 million in bridge tolls, state and federal funds.

Beyond this, MTC estimates a remaining need of about \$10 billion for non-MTS pavement maintenance, non-pavement maintenance (lighting, drainage, etc.) and local bridge maintenance; of this total need, about \$7 billion in revenues are projected to be available through locally dedicated funds, leaving an estimated \$3 billion shortfall. County CMAAs have determined how much of this shortfall to fund through their local priority-setting process. (See “County Priorities,” on page 54.)

Totaling all these categories, MTC estimates that more than \$16 billion will be needed to maintain our existing roads and bridges over the next 25 years, but that less than \$14 billion will be available — leaving an unfunded shortfall of more than \$2 billion.

### **Keeping the Existing Transit System Running**

Maintaining the existing transit system is another major RTP commitment. This RTP gives priority to funding asset replacement and rehabilitation before funding proposed service expansion. To determine what is needed to keep the existing system in good shape, MTC analyzed replacement and rehabilitation costs as submitted by the region’s transit operators. The table on page 53 shows that after nearly \$14 billion in committed funding is accounted for, there is still a \$1.1 billion capital funding deficit.

In deliberations during the development of this RTP, the Commission decided to reaffirm its prior RTP commitment to fund 100 percent of the region’s transit capital shortfall off the top from regional revenues. This action is subject to the following conditions.

- The Commission will set one or more performance and coordination standards that each operator will be required to achieve to remain eligible for 100 percent regional funding.

The following measures, or alternatives, will be evaluated prior to the programming of funds from the Surface Transportation Program, the Congestion Mitigation and Air Quality Improvement Program, and the State Transportation Improvement Program:

- Require each transit agency to maintain a local contribution toward its annual combined operating and capital budget from fares and local support revenues at the same percentage as it is contributing in fiscal year 2001-02 in order to maintain a balance between regional and local responsibility for transit funding, especially in cases where the transit agency intends to expand beyond existing service levels.
- Require compliance with the Commission's Transit Coordination Plan as a condition of regional transit capital fund programming. The plan is updated annually to establish what is expected of each transit agency in terms of implementing specific coordination improvements. This requirement currently applies to the Commission's allocation of State Transit Assistance funds; under this condition, the requirement would extend to programming flexible highway funds for transit capital.
- Following the adoption of the 2001 RTP, the Commission will establish criteria for determining which portions of the existing transit network are "regionally significant" and are, therefore, to be included in the calculation of the region's transit capital shortfall. One option is to establish a regional Metropolitan Transportation System (MTS) for transit routes, similar in concept to the already-established MTS road network. This condition is predicated on being able to identify regional transit routes and determine what portion of a transit operator's total system would be eligible for regional capital funding. As an alternative, the Commission could establish a standard for the type of rehabilitation/replacement that the Commission considers "regionally significant". Finally, the Commission could apply a higher local match requirement for lower priority capital rehabilitation projects or for capital equipment used to support services that are an expansion beyond the existing transit system.
- The Commission's commitment is subject to the availability of funds (programming capacity) to cover the shortfall beginning with the first year of new federal transportation legislation (fiscal year 2003-04).

With these conditions, the Bay Area's transit capital shortfall is fully funded in Track 1.

### **Transportation for Livable Communities Program and Housing Incentive Program**

MTC's Transportation for Livable Communities (TLC) program and Housing Incentive Program (HIP) support community-oriented transportation strategies and encourage local jurisdictions to build high-density housing near regional transit facilities. Both programs have proved to be extremely popular and typically have been oversubscribed beyond funding availability. The 2001 RTP triples the TLC/HIP programs, from \$9 million per year to \$27 million per year, with \$18 million per year available for regional TLC and HIP programs, and the remainder returned to the county congestion management agencies for locally selected TLC/HIP projects.

### Track 1 — Regional Programs (Track 1 Funds Directed By MTC)

Billions of 2001 dollars

Programs	Need	Committed Funding	Track 1 Funding
System Management and Operations	\$1.0	\$0.5	\$0.5
Streets and Roads Maintenance (MTS pavement)	4.0	3.9	0.1
Transit Capital Rehabilitation	15.3	14.2	1.1
TLC/HIP	—	0.1	0.2
Regional Transit Expansion Program	10.5	6.9	2.0*
			<b>Total \$3.9</b>

\* The Regional Transit Expansion Program also includes \$800 million in “County Priority” and “Joint Regional/County” funds, leaving a Regional Transit Expansion Program shortfall of \$800 million for the program.

### Regional Transit Expansion Program (Resolution 3434)

One of the key 2001 RTP initiatives is the Regional Transit Expansion Program, adopted by the Commission as MTC Resolution 3434. The program is the successor to MTC’s 1988 New Rail Starts and Extensions Agreement (MTC Resolution 1876). The 1988 rail extension program helped fund a number of projects, most of which have either been built or are now under construction. These include BART extensions to Dublin/Pleasanton, Pittsburg/Bay Point and the San Francisco International Airport, and light-rail extensions in San Francisco and Santa Clara counties.

MTC adopted project selection criteria for the Regional Transit Expansion Program in April 2001. The program builds upon MTC’s Bay Area Transportation Blueprint for the 21st Century planning effort completed in 2000, and includes both rail and express bus projects.

The core of the 1988 new starts plan was a creative financing agreement that relied heavily on local funding, particularly half-cent transportation sales tax measures that were passed by voters in Alameda, Contra Costa and San Mateo counties. The 1988 passage of the Regional Measure 1 bridge toll increase was another cornerstone of the rail program’s financing package.

As with the 1988 plan, Resolution 3434 is a compendium of federal, state, regional and local funding sources. New or renewed transportation sales taxes and bridge tolls also are critical elements of the funding plan. Projects with full funding from available revenue sources are incorporated into the RTP’s Track 1 program of projects. The remaining Resolution 3434 projects — those that are not fully funded within Track 1 — will be included in the Blueprint portion of the RTP as candidates for possible new funding sources.

## Track 1 — County Priorities

	Billions of Dollars	Percent of Total
Roadway Expansion	\$1.5	44%
Roadway Maintenance & Operations	1.0	29%
Transit Expansion*	0.6	18%
Other**	0.3	9%
Transit Maintenance and Operations	<0.1	<1%
<b>TOTAL</b>	<b>\$3.4</b>	<b>100%</b>

\* Includes \$0.3 billion for Regional Transit Expansion Program projects

\*\* Other includes bike and pedestrian improvements, TLC/HIP, system management, etc.

## Track 1 — Joint Regional / County Selection

	Billions of Dollars	Percent of Total
Highway	\$0.8	62%
Transit	0.5*	38%
<b>TOTAL</b>	<b>\$1.3</b>	<b>100%</b>

\* Most of this amount funds the Regional Transit Expansion Program projects

Further detail about the Regional Transit Expansion Program can be found in the “Corridors” section of this document, as well as the companion report entitled *Regional Transit Expansion Policy: Initial Analysis* (see Attachment C).

## County Priorities

The Commission has practiced a cooperative approach to long-range planning, guided by the spirit of intergovernmental partnership that is at the core of both ISTEA and TEA 21. As an example of this, the \$3.4 billion in county-level proposals for Track 1 funds in this draft RTP were largely developed by the nine Bay Area congestion management agencies (CMAs). The project priorities are based on local planning processes, including countywide transportation plans, voter-approved transportation sales tax programs, strategic plans developed for proposed transportation sales tax plans, and prior or ongoing corridor studies. All of the counties either have or are developing countywide transportation plans; some of the existing plans are being updated as a parallel process to the RTP.

Basic road maintenance and operational improvements were key county investment priorities, accounting for about \$1 billion. Streets and roads expansion accounted for some \$1.5 billion or about 44 percent of the counties’ Track 1 recommendations, with another \$600 million or 18 percent of the funds slated for transit expansion projects; this transit investment includes \$300 million in county Track 1 funds directed to the Regional Transit Expansion Program. Much of this Track 1 funding will be used to supplement funding for voter-approved projects included in local transportation sales tax measures. The remaining county Track 1 share went toward transit maintenance and operations, and bicycle/pedestrian and TLC projects. (See table at left.)

## Joint Regional/County Selection

The joint regional/county corridor investments include a proposed project list for the Interregional Transportation Improvement Program (ITIP), which is a part of the State Transportation Improvement Program. The ITIP funds are primarily used to supplement funding for projects identified in the county-level Track 1 proposals. Proposed ITIP projects are jointly developed by Caltrans, MTC and the counties.

While ITIP programming is at the discretion of the California Transportation Commission, the Bay Area typically has done very well, securing a share of the funds that is roughly proportional to the region’s share of the statewide population. The ITIP funds complement other county RTP corridor investments, and also will be an integral part of the proposed Regional Transit Expansion Program funding plan.

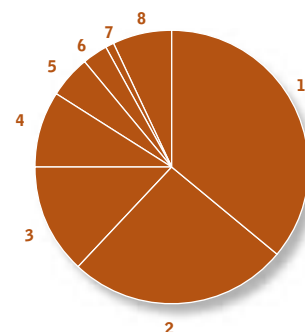
MTC expects the region to receive about \$1.3 billion in ITIP funds over the next 25 years. This is about 21 percent of the projected statewide total. Of this amount, about 62 percent is slotted for investment in highway expansion projects. The remaining 38 percent is invested in transit expansion projects, most of them Regional Transit Expansion Program projects. (See table on preceding page.)

## Putting It All Together

The chart on the right titled “Track 1 Funds Spending Breakdown” shows the proposed expenditure of funds by project category after summing the regional programs, the county priorities and the joint regional/county investments. The chart shows a relatively even funding distribution between the region’s two major travel modes. Transit expenditures, both for maintenance and expansion, account for about 49 percent of the total Track 1 expenditures; road maintenance, operations and expansion accounts for about 40 percent of the total. Other system management and bicycle and pedestrian projects account for the remaining 11 percent.

The pie chart titled “Total RTP Expenditures” at the top of the next page shows how the total \$87 billion package — Committed plus Track 1 — will be spent. Seventy-four percent of the total funding available will go to operating, maintaining and managing our existing transportation system. Another 19 percent will be used to expand the region’s transit systems. The remaining quarter will maintain and expand our highway and local road network, along with other projects.

**Track 1 Funds  
Spending Breakdown**



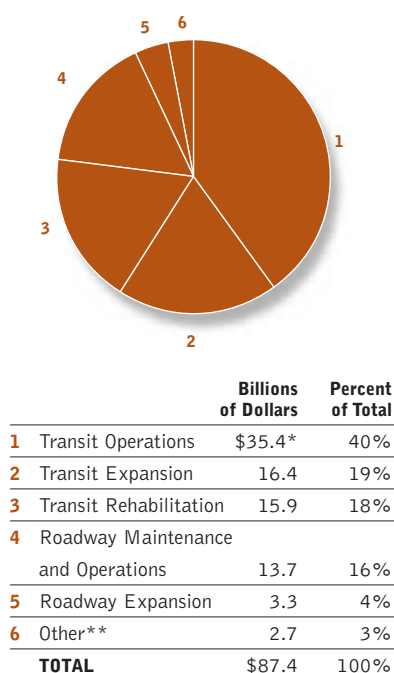
		Billions of Dollars	Percent of Total
1	Transit Expansion	\$3.1	36%
2	Roadway Expansion	2.2	26%
3	Transit Rehabilitation	1.1	13%
4	Roadway Maintenance	0.8	9%
5	Roadway Operations	0.4	5%
6	TLC/HIP	0.3	3%
7	Bike/Pedestrian	0.1	1%
8	System Management / Operations	0.6	7%
<b>TOTAL</b>		<b>\$8.6</b>	<b>100%</b>

## Advocating for New Funds — The “Blueprint”

The 1998 RTP made it clear that there was not enough money to fund key transportation improvements. Indeed, despite the fact that more than 80 percent of the RTP funds were directed toward maintaining the existing transportation system, substantial road maintenance and BART seismic retrofit shortfalls remained unfunded. Moreover, the projected growth in Bay Area population and employment demonstrated that there would be additional pressures on an already stressed transportation system.

In January 2000, MTC completed a yearlong effort to develop a Bay Area Transportation Blueprint for the 21st Century. The primary purpose of the Blueprint was to sketch a vision of the Bay Area’s transportation future, without the financial constraints imposed by the RTP. The Blueprint also would serve as a ready reference in developing coherent packages of programs and projects as new funding opportunities arose.

## Total RTP Expenditures



\* 36% fare revenue / 64% subsidy

\*\* Other includes bike and pedestrian improvements, TLC/HIP, system management, etc.

The 2001 RTP revisits MTC's 2000 Blueprint effort and identifies key projects that will require new funding sources in order to be implemented over the next 25 years. Like elements of the Regional Transit Expansion Program, the 2001 RTP's Blueprint is MTC's advocacy document for new transportation revenues to not only maintain our existing transportation system, but to expand the system to keep up with projected Bay Area population and employment growth.

## Key Blueprint Investments

The Blueprint has many of the same investment priorities as Track 1, calling for expenditures in a similar range of categories, including closing the \$2.2 billion streets and roads maintenance shortfall, upgrading system management programs and expanding the transportation system. Projects to close critical gaps in carpool lanes, local arterials, public transit and bikeway networks, and to boost bus, rail and ferry service also are part of the Blueprint.

MTC has evaluated the region's transit network to determine how well it serves low-income communities and key destinations of interest to those communities. The results of this analysis (provided in full in Attachment D to this RTP) will help inform future investment in transportation choices for low-income persons. The Lifeline Transportation Network identifies bus and rail services that serve concentrations of low-income households and key destinations such as schools, jobs, health care facilities, training programs, childcare, etc. These routes have been measured against service objectives (e.g., time of day and frequency) to determine gaps in the system and preliminary options for filling these gaps. The results of this analysis will be validated and modified as necessary in local plans developed by the transit agencies and low-income communities with the support of MTC.

On a preliminary basis, the Lifeline Network analysis has identified numerous spatial and temporal gaps in the current transit network. However, the solution to filling these gaps does not necessarily involve running additional fixed route transit service. In many cases, alternative transportation services can be implemented when providing fixed route service is not cost-effective or practical or when there is a preferred approach developed by the community being served. The Commission will look to the region's transit agencies and congestion management agencies to evaluate the system gaps and recommend where fixed route services make the most sense to implement. The Commission will provide financial support to ensure community input to this planning process.

## Key Blueprint Revenues

The primary funding sources for Blueprint projects may include new and renewed county-level half-cent sales taxes, a proposed regional gas tax, and a new BART property tax. These new revenue sources could generate as much as \$13.2 billion for transportation investment in the region over the next 25 years. (See chart on next page.)

### **County Sales Taxes**

Five urban Bay Area counties have successfully enacted voter-approved transportation sales tax initiatives. Two of these, Santa Clara and Alameda, recently renewed their existing sales tax measures for 30 and 20 years, respectively. The sales tax measures in the remaining three counties, Contra Costa, San Francisco and San Mateo, will expire before 2010. The four northern counties also have expressed an interest in joining the so-called “self help” movement.

### **Regional Gas Tax**

MTC has legislative authority to seek voter approval of up to a 10-cent-per-gallon gasoline tax in Bay Area counties for identified transportation improvements. Previous MTC polls have indicated some receptivity to a two- or three-cent tax, perhaps to maintain local roads (“pennies for potholes”).

### **BART Property Tax**

BART is considering initiating a new property tax to pay for its nearly \$1 billion program to seismically retrofit its overhead and underground track structures.

## **Proposition 42 — Windfall for the Future**

In March 2002, California voters created a new, permanent funding source for transportation with the passage of Proposition 42. This amendment to the California Constitution guarantees that proceeds from the state sales tax on gasoline will be spent for transportation purposes, according to a set formula, beginning in fiscal year 2008-09. For the Bay Area, MTC estimates that the passage of Proposition 42 will produce about \$5.8 billion in new revenues over the 25-year RTP period — substantially sup-